

HONORABLE BRIAN D. LYNCH

HEARING DATE: WEDNESDAY, FEBRUARY 13, 2019  
HEARING TIME: 9:00 A.M.  
LOCATION: TACOMA, COURTROOM I  
RESPONSES DUE: WEDNESDAY, FEBRUARY 6, 2019

UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON

In re

PUGLIA ENGINEERING, INC.,

Debtor.

No.18-41324-BDL

(Jointly Administered with  
Case No. 18-41350)

In re

SAN FRANCISCO SHIP REPAIR, INC.,

Debtor.

APPLICATION FOR ORDER  
(1) AUTHORIZING EMPLOYMENT OF  
COMMENDA LLC AS INVESTMENT  
BANKER FOR DEBTOR AND  
(2) APPROVING ENGAGEMENT  
AGREEMENT

Puglia Engineering, Inc., debtor-in possession herein (“Debtor”), respectfully represents as follows:

1. The Debtor seeks authority to employ Commenda Asset Resolution Partners, LLC (“Commenda”) as investment banker pursuant to Bankruptcy Code § 327 to assist the Debtor during the term of the above-captioned bankruptcy in connection with the marketing and possible sale of the Debtor’s assets or equity interests. The Debtor further seeks approval of the Engagement Agreement, as defined herein, that it entered into with Commenda, subject to this Court’s approval.

APPLICATION FOR ORDER (1) AUTHORIZING EMPLOYMENT OF  
COMMENDA LLC AS INVESTMENT BANKER FOR DEBTOR AND  
(2) APPROVING ENGAGEMENT AGREEMENT – Page 1

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1           2.       The Debtor has selected Commenda because it has considerable experience assisting  
2 companies in bankruptcy and is well qualified to assist the Debtor. In particular, James Gansman will  
3 be the principal person representing the Debtor in this matter. Mr. Gansman is a Managing Director at  
4 Commenda Capital, LLC and a Team Leader in its restructuring affiliate, Commenda. Mr. Gansman  
5 has been involved in over 150 transactions (valued in excess of \$10 billion) representing lenders,  
6 debtors and purchasers across a wide variety of industries. In addition, Mr. Gansman's colleague,  
7 John Spencer, spent ten years with the Pension Benefit Guaranty Corporation and is an expert in  
8 issues related to underfunded pension trusts. Because the Debtor is a participant in a union plan that is  
9 substantially underfunded, Mr. Spencer will provide invaluable assistance and expertise in discussions  
10 with potential buyers as to these issues.

11           3.       On December 28, 2018, the Debtor signed an engagement agreement with Commenda  
12 ("Engagement Agreement"). A copy of the Engagement Agreement is attached as Exhibit A to the  
13 Declaration of Thomas Minick filed in support of this Application.<sup>1</sup> The Engagement Agreement is  
14 the product of negotiations between the Debtor, through its counsel, and Commenda, as well as the  
15 Debtor's discussions with other candidates for this position, in consultation with counsel for the  
16 Unsecured Creditors Committee. The Engagement Agreement provides that Commenda shall be paid  
17 a monthly advisory fee of \$20,000, plus a fee equal to 4% of the aggregate gross value of the total  
18 consideration paid by the buyer in the event of a sale. However, two interested buyers have  
19 previously approached the Debtor and have been conducting due diligence. If a sale occurs to either  
20 of these parties, Commenda would receive a flat success fee of \$100,000.<sup>2</sup>

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21           <sup>1</sup> Page 2 of the Engagement Agreement was inadvertently left blank.

22           <sup>2</sup> Neither purchaser has made its interest in a transaction involving the Debtor public, so their identities  
23 are omitted here. However, the Debtor through counsel has been in discussions with counsel for the Unsecured  
Creditors Committee throughout this process, and the Committee is aware of both interested parties.

4. It is necessary and essential that the Debtor employ Commenda pursuant to the terms of the Engagement Agreement so that the Debtor can expeditiously work towards a sale of its stock or assets in parallel with the plan confirmation process. The professional services to be rendered by Commenda are set forth on page 1 of the Engagement Agreement.

5. Commenda represents no other entity in connection with this case, is not a creditor of this estate, is disinterested as that term is defined in 11 U.S.C. § 101(14), and represents or holds no interest adverse to the interest of the estate with respect to the matters for which it is to be employed.

6. The Debtor understands that the Unsecured Creditors Committee supports the engagement of Commenda upon the terms set forth in the Engagement Agreement and will support approval of this Application.

Based on the foregoing, the Debtor respectfully requests that the Court authorize the employment of Commenda on the terms and conditions set forth herein and in the Engagement Agreement, with allowance of compensation being subject to further order of this Court upon notice and hearing.

DATED this 24th day of January, 2019.

PUGLIA ENGINEERING, INC.

By Neil Turney  
Neil Turney  
Its President